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VIA ELECTRONIC MAIL (kawakami.cynthia@epamail.epa.gov)

September 20, 2002

Cynthia Kawakami  
USEPA REGION 5  
Office of Regional Counsel  
C-14J  
77 West Jackson Boulevard  
Chicago, IL 60604-3590

Re: Prospective Purchase Agreement  
R. Lavin & Sons, Inc. Property  
North Chicago, Illinois  
Our File: 312.1

Dear Ms. Kawakami:

Thank you for your letter of August 28, 2002. Rob May has worked very hard over the last few weeks to prepare detailed responses to your questions. Please refer to the document Rob prepared entitled "Preliminary Plans for Lavin and Surrounding Properties", enclosed as Attachment 1.

We also provide the following additional responses to your letter:

- Your request: Provide a description of each and every assurance and/or protection from liability that the City and Greenfield are seeking from U.S. EPA. Our Response: The City is seeking (1) deferral of all claims under other state and federal statutes relating to Existing Contamination (as that term is defined in the agreement between the USEPA and EMCO Chemical Distributors, Inc. concerning the "Vacant Lot" site located to the west of the Lavin property -- Attachment 2); (2) the same covenant not to sue contained in ¶21 of the EMCO PPA; and (3) assurance that the City will not be sued by the United States Navy with respect to Existing Contamination.

US EPA RECORDS CENTER REGION 5



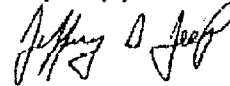
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- Your request: If the City and/or Greenfield wishes to pursue a PPA with U.S. EPA, the nature and value of the consideration that the City and/or Greenfield would offer to the Agency in exchange for the agreement. Our Response: The City is unable to answer this question without first knowing what contribution the Lavin estate, the State of Illinois or USEPA will make towards (a) stabilizing environmental conditions on the Lavin Property and (b) long term care of the solid waste management units on the property.

Using the EMCO agreement as a model, I am confident that we will quickly reach agreement on the terms of the PPA. Rob May is also happy to explain the Preliminary Plans he prepared and answer any questions you might have. We are able to meet next week at your convenience.

I will give you a call.

Very truly yours,



Jeffery D. Jeep

cc: Tom Krueger, USEPA, Region V  
Bob Long, City of North Chicago  
Chad Gettleman  
Don Gimbel (IEPA)  
Chuck Gunnerson (IEPA)

Preliminary Plans for Lavin and Surrounding Properties  
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## Project Summary

The City of North Chicago desires the redevelopment of approximately thirty-five (35) acres located in the northwest quadrant formed by the intersection of Sheridan Road and Martin Luther King Drive. In particular the site includes the 1900, 2000, and 2100 blocks of Sheridan Road and the 800 and 900 block of Martin Luther King Drive. Existing land use includes the underutilized R Lavin and Fan Steel industrial sites (both firms are in bankruptcy), commercial storefronts and vacant lots. Many of the commercial spaces are boarded up or are inadequate for modern retail reuse. The proposed use of these parcels is industrial with frontage commercial development incorporating a heavy representation of "sit-down" dining establishments, supporting retail and entertainment venues.

It is the intent of City of North Chicago to acquire the R Lavin & Sons, Inc. so as to ensure that future use of the property will be compatible with the development strategy for the Sheridan Road corridor outlined below. The City has not authorized any other party to speak on behalf its behalf in this regard.

## Development by the Numbers

Total Project Area	35 Acres
Commercial Development	16 Acres
Industrial Development	19 Acres
Build Out	5 Years
New Commercial Buildings	212,000 Sqft
New Industrial Jobs	200
New Restaurant/Retail Jobs	300
Projected New Commercial Property Tax (per year) Year 5	\$,000
Projected New Industrial Property Tax (per year) Year 5	\$50,000
Projected Sales Tax (per year)	\$4,324,800

## Project Area

Restaurant Row/Sheridan Road South sits at the southern end of the Sheridan Road Tax Increment Finance District of the City of North Chicago, located in Lake County Illinois. North Chicago is the second largest city in Lake County and home of the Great Lakes Naval Training Center. The city is sited on the shores of Lake Michigan, approximately 35 miles north of downtown Chicago and 35 miles south of Milwaukee Wisconsin.

The city has a population of 35,918 according to the 2000 Census. This figure includes Naval personnel "stationed" at Great Lakes and their families as well as the recruits. The inclusion of the base tends to skew the census data. Subtracting the base shows North Chicago to be a community of approximately 16,600 people with over 75% of its residents from a racial or ethnic minority.

Despite being surrounded by the wealth of Chicago's "North Shore", the community is relatively poor. In 1989 the US Census Bureau identified 3,273 households below the poverty line. Estimated median family income in 1998 was around \$30,000, which puts per capita income at approximately \$10,000.

The 24-month average for unemployment in North Chicago is 9.53%, which is more than the 225% above national unemployment level.

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## **Project Phasing**

**Phase I**, currently underway, includes attracting a developer with brownfield expertise to the project while simultaneously working with the US Navy and Union Pacific Railroad to reopen the Martin Luther King Drive grade crossing

Key to this redevelopment project is controlling the R Lavin site, which represents approximately 52% of the redevelopment project area including key lots for the commercial frontage development. In December of 2001, Lavin padlocked its gates, terminated its workforce and petitioned the bankruptcy court for liquidation. Lavin was a secondary nonferrous metals recovery and smelting firm and had been operating under a 25 year US EPA monitoring agreement and consent decree. The City fears that the creditors will strip the real estate of all remaining assets and abandon the contaminated land.

The City had been working closely with Greenfield Partners of Chicago, Illinois on their acquisition of the R Lavin property. All attempts by Greenfield Partners to negotiate a sale with the Lavin Bankruptcy Creditor's Committee have been rebuffed. During the summer the Creditor's Committee auctioned off the remaining inventory (finished and raw) and most of the equipment. In June of this year, the Creditor's Committee also approached the City to see if we were interested in purchasing the property for \$1. For that to happen, the City needs to be able to address the environmental concerns and protect itself from legal liability. There are claims against the bankruptcy estate in the neighborhood of \$40 million by the US EPA, Illinois EPA and the United States Navy represented by the Justice Department. The City is pursuing a Prospective Purchasers Agreement with US EPA to protect the City from legal action. The City is asking that all Illinois EPA, Clean Water and RCRA issues be deferred to US EPA's jurisdiction under CERCLA. The City is also negotiating the acquisition of the property by purchase or eminent domain for \$1 and an additional payment from the estate of \$500,000 to fund the clean up of surface contamination issues. The City's interest in purchasing the site is contingent upon verbal agreements with IEPA, US EPA and the Navy/DOJ while more formal agreements can be negotiated.

There are two proposals on the table for the disposition of the property once the City gains title. Either the City will convey the property to Greenfield within a 60 – 90 day period or it will retain ownership during a "courtship" period where Greenfield remediate and manages the property on the City behalf until a future sale date established in purchase option. The City is partial to the second option.

Greenfield Partners have indicated that there are several tenants including ESC Refining of Texas that have expressed an interest in relocating to the Lavin site. All industrial users would be required to come before City Council before leases are signed and would have to comply with all air and water discharge requirements. The City is also looking for desirable tenants to fill the vacant industrial space.

In late November 2001, the City met with property owners in the 2100 Sheridan and 900 King Drive blocks to discuss redevelopment plans and to inform them their properties may be purchased and cleared as part of the overall redevelopment plan. The City found no overt opposition to the proposal and most owners willing to work with either the City or a developer on sight assemblage.

The City has recently made an offer to purchase on two properties in the 2100 block of Sheridan Road using TIF funds and a grant made available through DCCA by Senator Terry Link. The whole block was appraised, at the City's request, by a professional appraiser in 2001 who determined a rough market value, based on comparable sales, of \$1.7 million. Actual acquisition should be around \$2.5 million.

Also in 2001, the City applied to the United States Department of Commerce, Economic Development Administration (EDA) for financial assistance in the reopening of the Martin Luther King Drive grade crossing of the Union Pacific Railroad.

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The City hired Metro Transportation Group in April 2000 to conduct a traffic-feasibility analysis, intersection design study, and Railroad signal study as part of Phase I engineering. Further engineering and construction on the project will exceed \$1.4 million.

The Railroad forms a physical barrier between the City on the west and the Great Lakes Naval Training Center on the east. Much like an economic Berlin Wall, the railroad prevents the free flow of people and money from the base to local businesses. The only access to the Base is a four-lane arterial road one mile south of the commercial center of North Chicago and the Sheridan Road South redevelopment area. Existing traffic patterns route Base personnel out and away from the City.

For years, King Drive (formerly 22nd Street) has been a primary link between the City of North Chicago and the Naval Training Center, Great Lakes providing easy access to Gate 4 and Main Gate on Sheridan Road. The crossing was closed approximately 6 years ago in anticipation of the expansion of the Amstutz Expressway project, which never materialized past its first stages. Since the closing, and the loss of vehicle traffic, the once vibrant commercial corridors that radiated north along Sheridan Road and west along Martin Luther King Drive have withered.

#### **Improve Access and Drive-By Visibility**

Reopening the crossing will increase traffic count along these two thoroughfares and provide direct vehicular and pedestrian access to the Sheridan Road South redevelopment area. This will increase traffic counts and visibility of the area and thus attract retail and commercial developers to the area. Greenfield Partners and several other regional and local development firms have expressed interest after reviewed market data and development plans for this area but all have expressed concerns with access to base populations. Commercial redevelopment is dependent of the reopening of the grade crossing.

Once funding is assured, North Chicago will begin negotiating purchase options on the 2100 Sheridan Road and 900 King Drive properties.

#### **Upgrade Sewers**

**Phase II** of the project calls for the replacement and rerouting an existing 8" sanitary sewer line with a new 24" line to provide the necessary capacity for the redevelopment of R. Lavin property, FanSteel and the adjacent lots as well as new development. The new sewer line would run east along King Drive from Commonwealth Avenue to Sheridan Road. From there, the sewer would turn north and follow Sheridan Road to an existing 24" line at Sheridan Road and Broadway.

The current sewer follows clockwise from the EJ&E Railroad along an alley right-of-way that runs parallel to Sheridan Road to Martin Luther King Drive where it turns west. At Commonwealth Avenue it connects with other lines from the south and west that serve industrial, commercial and residential districts. At Commonwealth the sewer turns north to pass under an EJ&E Railroad viaduct and connects to 18" line at Broadway and eventually makes its way to a 24" line at Sheridan Road a few yards north of the EJ&E Railroad tracks at

The junction of Commonwealth and Broadway sees a confluence of several sewer lines from residential districts north of the EJ&E tracks and this area is quite prone to sewer backups. Any attempt to put more wastewater through the system from the R. Lavin and Restaurant Road/Sheridan Road South redevelopment project will seriously over load the system.

(The sanitary sewer project is being considered as a first part of a multi-phase sewer-rerouting project that

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will provide the necessary capacity to support the redevelopment of the Commonwealth Industrial Corridor, a new 40-acre retail development at Green Bay Road and Martin Luther King Drive and the redevelopment of King as a major commercial corridor. Phase II includes disconnecting this new Sheridan/Broadway connection and running a new line directly to the sewage lift station on the lakefront. This line will also support new commercial activities on the south side of the traditional downtown and expansion of Abbot Laboratories' lake front facility. Phase III of the project includes a new sanitary sewer along the length of King Drive from the Green Bay Road redevelopment area to the new line constructed during Phase I.)

The City also proposes the abandonment of a 10" cast iron potable water line in the Sheridan Road/King Drive right-of-way from Second Avenue to Commonwealth Avenue. The cast iron line is the source of several main breaks a year causing serious production disruptions for area manufacturers. The new water line would parallel the proposed sanitary sewer line.

The City has hired Ciorba Group to design the new sanitary sewer and potable water line. Final siting will be determined by Right-of-Way requirements for new traffic lanes for the King/Union Pacific Railroad crossing. Phase II engineering is scheduled to be completed in this fiscal year (2002/2003) with construction scheduled for FY 2003/2004.

The City has also hired Land Strategies to develop a streetscape design that will run along the 1900, 2000, and 2100 blocks of Sheridan Road and the 900 and 1000 blocks of King Drive. Phase II engineering will commence in the next fiscal year (FY 2003/2004). Implementation of the project is scheduled for FY 2004/2005 unless external sources of funding can be made available.

### **Property Acquisition and Development**

**Phase III** of the project is the acquisition, clearance, assemblage and re-conveyance of 22 parcels in the 2100 block of Sheridan and the 900 block of King Drive from nine (9) different owners. These frontage lots (approximately 3.65 acres) in addition to 2.5 landlocked acres from the Lavin property form the bulk of the 6.2-acre "anchor" block. The addition of the 2.5 landlocked acres behind the frontage lots give the site the depth it will need to meet modern commercial real estate development requirements.

The Anchor block is projected to hold up to 76,000 sqft of mixed use – restaurant, entertainment and retail space and 80% of the required parking. The City has been actively marketing the site to restaurant and retail chains over the past year and has attracted some end-user interest in the project. The City will continue to work with Greenfield Partners and their development partners toward the signing of redevelopment agreements and the eventual groundbreaking.

A recent appraisal commissioned by the City puts the market value of the 22 parcels in the neighborhood of \$1.6 million. Actual acquisitions of these properties will probably cost twice as much.

**Phase IV** includes the build out of the Anchor block and Streetscaping along the 8-block Sheridan Road/Martin Luther King project area.

Before build out can proceed a 2-million-gallon storm water storage tank on the Lavin property will need to be relocated and some site remediation will need to take place. Construction of parking facilities and building foundations for the development will create new physical barriers to protect the environment and separate people from the light industrial uses anticipated to remain on the Lavin and Fansteel parcels.

The actual timing on this phase will be dependent on market and financial constraints.

The City's desired tenant mix for the project and examples for each tenant category is as follows:

Entertainment Anchor

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Movie Theater – 1

- Regal Cinemas
- MegaStar Cinemas
- Magic Johnson Theaters
- Century Theaters

Arcade/Family Entertainment Center – 1

- Celebration Station
- Namco Arcades
- Fun Station USA
- Laser Quest

Hotel

Budget – 1 (150-200 Rooms)

- Holiday Inn Express
- Howard Johnson's
- Express
- Super 8

Extended Stay– 1 (100 Rooms)

- Studio Plus
- Homestead
- Hawthorn Suites

Restaurant

Dinner House – 1

- Chili's
- Houlihan's
- TGI Friday's
- Ruby Tuesday's
- Applebee's

Family Dining – 1

- Denney's
- Bakers Square
- IHOP

Steak House – 1

- Outback
- Longhorn
- Golden Corral
- Ryan's
- Ponderosa

Buffet Restaurant – 1

- Old Country Buffet
- Furr's
- MCL Cafeteria

Theme Dining – 2

- Olive Garden
- Don Pablo's Mexican
- Chi Chi's
- Sizzling Wok
- Champps Sports

Burger/Pizza Place – 2

- Fuddruckers
- Red Robin
- Giordano's
- Eduardo's

Ancillary Retail

Athletic Shoes and Apparel  
Convenience Retail  
Automotive Parts

Fashion Clothing  
Automotive Service

Actual tenant mix will be dependant on market conditions This list is intended for discussion purposes only

At the same time, if not in conjunction with Phase III, the City will begin a streetscaping project on the 1900, 2000 and 2100 blocks of Sheridan Road and on Martin Luther King Drive from Commonwealth Avenue to Sheridan Road. It is very important for the City to improve the "curb appeal" of this neighborhood. The plan calls for the reconstruction sidewalks, new ornamental-street and sidewalk lighting, the incorporation of trees and landscaping into the environment and the use of thematic signage. The City wants to create a vibrant street atmosphere that is inviting to pedestrian traffic and that promotes that area as a safe gathering place. The streetscape will create a visual connection with the rest of North Chicago's commercial districts and compel visitors to explore.

**Phase V** continues the redevelopment project up Sheridan Road to the 1900 and 2000 blocks. The 1900 block of Sheridan is currently owned by Lavin and therefore should be under the control of Greenfield.

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targeted for more traditional retail. The 1900 block is also an important transitional point, leading pedestrian traffic toward our traditional downtown and commuter rail station. The 2000 block will be a blend the restaurant/retail continuum and provide 20% of the parking required for the 2100 block.

**Phase VI** involves the redevelopment of the FanSteel property comprising the 900 block of Martin Luther King Drive. The site, with 270 feet fronting King Drive and a depth exceeding 1032 feet, will provide 7.5 acres of additional space for both commercial and industrial redevelopment projects. The front third of the site, currently consisting of a three-story brick office building, is proposed as the site for a new 12-screen movie complex. The remainder of the commercial half of the site will be available for parking, and additional recreational uses. The back half will be redeveloped for clean industrial users.



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Projected Public Project Costs est (not including TIF assistance private firms)

MLK Grade Crossing	EDA/City	\$1,400,000
Sanitary Sewer and Water Main	TIF/City	\$1,150,000
MLK Street Improvements (900 and 1000 blocks)	City	\$750,000
Site Acquisition and Clearance (2100 block Sheridan/900 block King)	TIF/HUD	\$3,000,000
Streetscape (King and Sheridan)	HUD/TIF	<u>\$1,700,000</u>
Total Public Project Cost est		\$8,000,000

- Tax delinquency

A review of the Lake County Treasurer's web page indicates that property taxes for 2001, which are payable in 2002, are delinquent

- Current market value

Negative Value of an unknown amount

- Liens and encumbrances

Unknown at this time

- Clean up costs itemized

At the meeting in North Chicago on August 19, 2002, Brad Benning of USEPA estimated \$700,000 stabilize environmental conditions (need EPA's estimate) The City has not undertaken an independent assessment of these and other costs to address environmental conditions on the property

- Sub area redevelopment description

The City does not have specific plans for tenants or future uses of the Lavin Property The property will be used for light industrial uses that will be compatible with the commercial uses planned to the east Future uses of the Lavin Property will be subject to regulation by various City ordinances, including the Zoning and Hazardous Substances ordinances The USEPA has previously been provided with a copy of the Hazardous Substances Ordinance The Zoning and other City ordinances are available upon request

- Future zoning

Nineteen (19) acres are to be reserved for Industrial (M2) or Commercial/Warehouse (CW) use The remaining 16 acres are to be zoned, general business (B2)

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- Est number of jobs

The number, type and quality of jobs created will depend upon the mix of uses and the business that are attracted. The City conservatively estimates that the redevelopment will create well in excess of 100 jobs—consisting of a variety of service and manufacturing jobs. The jobs might range from highly paid engineering to lower paying retail service jobs. Jobs (whatever the precise number) are desperately needed in the City of North Chicago. The City has the highest rate of unemployment in the State of Illinois (10%). Please refer to the demographic profile for the City of North Chicago at <http://www.oseda.missouri.edu/mscdc/census/us/basic tables/us text/places/n/NORTHCIL>, <http://www.cagis.uic.edu/demodata.html> (enter search criteria “North Chicago, Illinois”), “UNEMPLOYMENT RATES FOR SELECTED MUNICIPALITIES IN NORTHEASTERN ILLINOIS, 1990 & 1995-2001 ANNUAL AVERAGES” at <http://www.nipc.org.il.us/aboutreg.htm#snapshots> (select hyperlink to “1990 & 1995-2001 Unemployment Rates for Selected Municipalities in Northeastern Illinois”), and <http://www.commerce.state.il.us/communityprofiles/profiles/NORTHCHICAGO.htm>

- Est tax revenue

The City has not undertaken a detailed assessment of the sales and property taxes that would be generated by the redevelopment. The taxes generated would make a significant contribution to local taxing bodies. The taxes must also be adequate to pay the debt issued to fund the development. A detailed financial assessment will be performed in conjunction with the City’s financial advisors and bond underwriters.

- City’s Investment

See discussion above regarding issuance of debt and TIF financing. Also, the amount of the purchase price for the property (if any) has not been negotiated with the Lavin creditors committee.

- Other Funding sources

Other sources of funding include Tax Increment Financing, Brownfield Grants (NOFA fall 2002, IEPA, and Lake County), HUD, private developers, and lease securitization.

- Projected Fair Market Value after redevelopment

There will need to be a substantial increase in value in order to generate the tax increment that will service the debt. A detailed financial analysis however has not been performed.